BT Group plc
H1 FY23 results

3 November 2022
Forward looking statements caution

Certain information included in this announcement is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company’s plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as ‘believes’, ‘estimates’, ‘anticipates’, ‘expects’, ‘forecasts’, ‘intends’, ‘plans’, ‘projects’, ‘goal’, ‘target’, ‘aim’, ‘may’, ‘will’, ‘would’, ‘could’ or ‘should’ or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this announcement are not guarantees of future performance. All forward looking statements in this announcement are based upon information known to the Company on the date of this announcement.

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Delivering to plan; reaffirming long-term ambition

Strong Q2 financial and operational performance; reiterated FY23 commitment of at least £7.9bn EBITDA

Strengthening our competitive position in challenging market conditions; cost savings target increased by £500m to £3.0bn by end FY25

FTTP\(^1\) strategy delivering ahead of expectations

FY23 capex now c.£5.0bn, FY23 NFCF\(^2\) lower end of £1.3bn-1.5bn range

Reaffirming long-term ambition; continue to expect at least £1.5bn NFCF expansion by FY31\(^3\)

\(^1\) Fibre-to-the-premises; \(^2\) Normalised free cash flow; \(^3\) Compared to FY22 before any benefit from revenue and EBITDA growth net of tax
Strong Q2 performance supports FY23 commitment of at least £7.9bn EBITDA

<table>
<thead>
<tr>
<th></th>
<th>Pro forma FY23</th>
<th>Reported FY23</th>
<th>Outlook</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>Q2</td>
<td>Change %</td>
</tr>
<tr>
<td>Adjusted revenue¹</td>
<td>5,151</td>
<td>1</td>
<td>10,130</td>
</tr>
<tr>
<td>Adjusted EBITDA¹</td>
<td>1,999</td>
<td>4</td>
<td>3,944</td>
</tr>
<tr>
<td>Reported capex</td>
<td>-</td>
<td>-</td>
<td>2,612</td>
</tr>
<tr>
<td>Normalised free cash flow</td>
<td>269</td>
<td>(33)</td>
<td>64</td>
</tr>
<tr>
<td>Dividend (pps²)</td>
<td>-</td>
<td>-</td>
<td>2.31</td>
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</table>

¹ Before specific items; ² Pence per share
Strengthening our competitive position

Accelerating our growth strategy:
- Record Openreach Q2 fibre net adds of 331k; 27% take-up; sharpening FTTP pricing to further accelerate take-up
- Record Consumer Q2 fibre net adds of 121k; 308k new 5G connections
- Q2 Security growth of 10%
- Global growth portfolio growing ahead of market

Investing heavily in our next generation networks and digitalisation:
- On track to build 25m FTTP footprint by December 2026, with 9m footprint today and a further c.6m already in progress
- 5G deployed in nearly all major towns and cities

Increased focus on our cost base to offset macro challenges:
- Cost savings target up £500m to £3bn by end FY25, costs to achieve of £1.6bn
- 26% decline in non-FTTP Openreach capex
Drive Consumer growth through converged propositions and services

B2C\(^1\) unique strengths

- UK’s best mobile network\(^2\)
- #1 market share across mobile and broadband combined\(^3\)
- Market leading brands
- Nationwide multi-channel sales and service network

How we will achieve growth

<table>
<thead>
<tr>
<th>Prop</th>
<th>How we will achieve growth</th>
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<tbody>
<tr>
<td>✔️</td>
<td>Driving FTTP and 5G penetration</td>
</tr>
<tr>
<td>✔️</td>
<td>Driving convergence take up</td>
</tr>
<tr>
<td>✔️</td>
<td>Delivering best in class omnichannel customer experience</td>
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<tr>
<td>✔️</td>
<td>Pricing fairly and transparently</td>
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KPIs & Success Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>1.4m FTTP customer take-up</td>
<td>Fixed and Mobile Convergence 21.7%</td>
</tr>
<tr>
<td>8.2m 5G ready customers</td>
<td>Revenue generating units per address 2.38</td>
</tr>
<tr>
<td>Consumer NPS 14.3(^4)</td>
<td>BT broadband complaints 8 per 100k(^5)</td>
</tr>
<tr>
<td>Fixed and Mobile Convergence 21.7%</td>
<td>EE mobile complaints 1 per 100k(^5)</td>
</tr>
<tr>
<td>Consumer monthly churn, Broadband at 1.1% &amp; Postpaid Mobile at 1.0%</td>
<td>Majority of customer base on inflation linked pricing</td>
</tr>
<tr>
<td>BT broadband complaints 8 per 100k(^5)</td>
<td>Broadband ARPC(^6) £37.80 per month</td>
</tr>
<tr>
<td>EE mobile complaints 1 per 100k(^5)</td>
<td>Postpaid Mobile ARPC £18.20 per month</td>
</tr>
</tbody>
</table>

1 Business to Customer; 2 According to RootMetrics, for the last 9 years; 3 BT internal estimates; 4 Net Promotor Score, three month rolling average; 5 Ofcom Telecos and pay-TV complaints: Q2 (April - June) 2022; 6 Average Revenue Per Customer on a pro forma basis
Capitalise on Enterprise and Global’s unrivalled assets to restore growth

**B2B** unique strengths

- Depth and reach of network infrastructure
- Broad portfolio of next generation products
- Strong brands and unrivalled distribution reach
- Wholesaler of choice

**How we will achieve growth**

- Expanding customer base and improving inflows
- Re-focusing to next generation growth portfolio
- Investing in high-growth adjacencies
- Simplifying and digitalising to lower costs and improve customer experience

**KPIs & Success Metrics**

- **4,023k** Mobile customers
- **725k** Broadband customers
- **82** new logos for CPS & Global in Q2 FY23
- **1,133k** IP voice seats
- **£285m** Global growth revenue
- **£412m** Global growth order intake
- **11 5G Mobile Private Networks**
- **£166m** Q2 FY23 Security revenue
- **£31m** Q2 FY23 Health revenue
- **51** legacy systems closed in Q2 FY23
- No product variants closed in Q2 FY23
- Enterprise NPS **16.2**
- Global NPS **39.1**

**B2B EBITDA**

Deliver Openreach growth and strong returns on FTTP

Openreach unique strengths

Nationwide fixed access wholesaler with the largest FTTP footprint

Strong, established relationships with CPs

Large, highly skilled direct workforce

Fastest, lowest cost and highest quality builder of FTTP in UK

How we will achieve growth

- Building FTTP at pace
- Migrating customers rapidly
- Delivering great service
- Pricing fairly and transparently

KPIs & Success Metrics

- 8.8m premises passed with FTTP
- Premises passed annual run rate 3.2m in Q2
- Cost per FTTP premises passed £250 - £350

- 2.4m Total FTTP connections
- FTTP platform take-up 27%

- 19/30 Copper Quality of Service standards

- FTTP Rental ARPU £17.0

1 Impacted by industrial action in H1; 2 Average Revenue Per Unit; 3 Asymmetric Digital Subscriber Line; 4 Fibre-to-the-cabinet
Digitise, automate and reskill to transform our cost base and improve productivity

<table>
<thead>
<tr>
<th>What we are doing</th>
<th>How we are doing it</th>
<th>How we are progressing</th>
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</thead>
<tbody>
<tr>
<td>Simplifying our product portfolio</td>
<td>Modernising BT and righting our cost model</td>
<td>£1.7bn gross annualised savings delivered</td>
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<tr>
<td>Dramatically transforming our customer journeys</td>
<td>Transforming our ways of working</td>
<td>c.15k gross headcount reduction</td>
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<tr>
<td>Shutting down legacy IT and moving to strategic digital tech</td>
<td>Doubling our digital channel share</td>
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<tr>
<td>Migrating our customers onto our strategic products and networks</td>
<td>Delivering growth through Platform Thinking</td>
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<td></td>
<td>Incubating new ideas in new sectors</td>
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Cost savings target up £500m to £3.0bn by end FY25

1 Gross annualised cost savings
Optimise our capital allocation

Capital allocation framework

Invest for growth
FY23 capex of c.£5.0bn; capex for remainder of peak FTTP build retained at c.£4.8bn per annum

Support pension funds
June 2022 funding deficit £4.4bn; stable through recent market volatility
IAS 19 deficit remains relatively low at £1.7bn

Maintain strong balance sheet
BBB+ through cycle ratings target
Long-dated debt maturity profile

Reward investors through progressive dividend policy
7.7pps reinstated dividend in FY22
2.31pps interim dividend for FY23

Optimise our business portfolio

Partnering and investing to optimise our portfolio and deliver our growth ambitions

Sports JV with Warner Bros. Discovery to reduce risk and enhance customer offering
EE Smart Home Security and EE Cyber Security powered by Verisure and Norton
Google enabled Sweeper app contributing new homes to fibre build
Just Eat and Checkatrade added as new partnerships to Enterprise’s Customer Charter
Delivering to plan; reaffirming long-term ambition

Strengthening our competitive position by:

- Accelerating our growth strategy
- Investing heavily in our next generation networks and digitalisation
- Increased focus on our cost base

FTTP connections ahead of expectations; refining FY23 outlook

- Sharpening FTTP pricing to accelerate take-up
- FY23 capex now c.£5.0bn; remains c.£4.8bn for remainder of peak build
- FY23 NFCF towards lower end of £1.3bn - 1.5bn
- FY23 Revenue / EBITDA outlook reiterated; Consistent revenue and EBITDA growth in subsequent years

Progressive dividend policy

- Interim dividend of 2.31pps

Growth underpins progressive dividend

Material expansion in NFCF post peak network build

Consistent and predictable EBITDA growth from FY22 enhanced by modernisation

Consistent and predictable revenue growth from FY23

Uplift from increased revenue and cost savings, net of tax

Cost savings from an all-IP, all-FTTP network

Capex reduction post peak FTTP build

FY22 NFCF

FY31 NFCF

£1.4bn

£1.0bn

£0.5bn

£1.0bn

£0.5bn